

● CUTS TO AIM AT MINIMAL INDUSTRY IMPACT

India, UK near deal on whisky, auto duties

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New Delhi, August 17

INDIA AND THE UK are close to reaching common ground on import duties and other non-tax matters on whisky and other spirits in their negotiations on the imminent free trade agreement, according to a source.

The duties on whisky and automobiles are the two most sensitive issues in the FTA talks as far as India is concerned.

In the auto sector, reduction of tariffs on imports from the UK would be calibrated in a way that its impact on local manufacturing is minimal, an official said. Several rounds of discussions have been held with local players too before finalising India's stand. Some of the key details are close to being agreed to, the official added.

In the spirits trade, too, both countries have narrowed their positions on immediate duty cuts, the speed of cuts in coming years, and other conditions, the source added.

India has offered to reduce import duty on wines and other spirits from 150% to 100% and bring it further down to 50% over the 10-year period. The UK has demanded a reduction of duty to 75% straight away and bringing it down to 30% in the next three years.

The Indian industry has demanded that the minimum import price of whisky that is subject to lower tariffs should be \$5 per 750 ml bottle to prevent cheap imports, which the UK is not agreeing to.

On bulk imports of Scotch whisky for rebottling here, the Indian industry is agreeable to reducing duty to 75% immediately and then bringing it down to 25% in the next 10 years.

"The bulk imports for rebottling would lead to some value addition locally," said Vinod Giri, director general of the Confederation of Indian Alcoholic Beverage Companies.

In spirits, the Indian side is also asking for relaxation of a condition imposed by the UK under which the beverage should have been matured

IN HIGH SPIRITS

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for a minimum three years before being allowed entry in the local market. Here, the UK was citing EU rules.

According to Giri, due to Indian climatic conditions the maturation that takes three years in the UK happens in six to nine months in India, so this limit is arbitrary. "In India evaporation loss during maturation is 10-15% and hence in three years this loss would touch 30-35% that would make majority of Indian products just unviable," he said.

Notwithstanding the high duties, the import of Scotch whisky grew to 7.5 million cases in calendar year 2022 from 5.5 million cases in 2021, driven by Mumbai. Total bottled liquor imports in 2022 were at 8 million cases.

Maharashtra had reduced local excise duties on imported Scotch to 150% from 300% while keeping taxes on Indian spirits unchanged. This reduced prices of imported

whisky against similar products by domestic manufacturers. Even Scotch bottled in India became more expensive than ready-to-consume bottles. Delhi excise policy, which was later reversed, allowed for a 50% discount on Scotch whisky. Non-availability of many imported brands in Delhi led to unlawful supply from Gurugram in Haryana.

Delhi and Maharashtra account for two-third of the Scotch whisky sold in India. The government collects ₹5,000 crore import duty on wines and spirits while local taxes on the liquor industry bring in another ₹3 trillion for both Centre and the states.

So even if import duties go down, local taxes would not, so the affordable Scotch is unlikely to flood the markets in a big way.

The official said talks on the FTA have reached a critical stage and negotiations could be concluded by October-end or November.